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Digest
Spotlight

on

Patrick de Laszlo

Chairman of the
Economic Research Council

Also in this issue:—

**HOW TO REDUCE TAXES
DEPRECIATING MONEY
THE CROWN AND THE
COMMONWEALTH**

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- (2) To devote sympathetic and detailed study to representations on monetary or economic subjects submitted by members or others, reporting thereon in the light of knowledge and experience.
- (3) To explore with other bodies the fields of monetary and economic thought, in order progressively to secure a maximum of common ground for purposes of public enlightenment.
- (4) To take all necessary steps to increase the interest of the general public in the objects of the Council by making known the results of investigation and research.
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- (7) To do such other things as may be incidental or conducive to the attainment of the aforesaid objects.

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and

WORLD ECONOMIC REVIEW

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AUG. & SEPT. 1960

VOLUME I

Nos. 7 & 8

Digest Spotlight focuses on

Patrick de Laszlo

Chairman of the Economic Research Council

THE Economic Research Council is indeed fortunate in having as its present Chairman Mr. Patrick de Laszlo who is an academic as well as a practical economist. The Council was founded in 1943 to promote education in the science of economics, with particular reference to monetary practice and members of the Council played a significant part in the activities which led to the appointment of the Radcliffe Committee in 1957.

Educated at Lancing College and Balliol, Oxford, Patrick de Laszlo took an Honours Degree in Modern Greats as well as a Post-Graduate Degree in Economics. He originally planned to teach economics but he became critical of his teachers who seemed to him to lack practical knowledge and experience. He therefore decided to gain some practical experience for himself and started by working and lecturing in the U.S.A. He was, therefore, well equipped to enter the business field when he

joined a brother in managing a factory which was responsible for the original development of miniature thermionic valves. These have now become standardised throughout the industry.

This experience led to further interests in the field of electronics: de Laszlo managed a succession of Companies all of which were concerned in electronic work and more particularly in the development of radar equipment from its earliest days when the idea of detecting aircraft by reflecting pulses was first conceived. The part which radar played in the war is now well-known and appreciated.

His growing engineering knowledge and specialised experience in radar, added to the fact that he held a private pilot's licence, led to his appointment as a Group Captain in the R.A.F. during the war. He had the task of assisting Sir Robert Renwick to complete the building of the original radar defence and later the

development and construction of various offensive radar devices installed in fighter and bomber aircraft. It was out of these basic radar systems that all modern aircraft control systems have since evolved.

With the end of the war de Laszlo turned his attention to the civil use of radar devices. He campaigned vigorously for the creation of a Government Corporation to exploit fully the use of radar for the benefit of international airlines. This activity met with success for it resulted in the creation of International Aeradio, of which he has been Director ever since.

In all the work he has undertaken de Laszlo has had as his aim the idea of combining the approach of an economist with the practical knowledge of an engineer, with the ultimate object of providing service without extravagance. His experience has stimulated an active interest in studying the basic economic forces which play such a significant part in modern society. He became Chairman of the Economic Research Coun-

cil in 1958 and under his wise guidance and leadership the Council has made considerable progress. It now has well over 400 members both home and overseas. Some very useful research projects have been undertaken and some of the results have been published.*

In the Annual Report issued by the Council for 1959 the Chairman wrote: "The Economic Research Council has one basic purpose—to make fundamental economic problems understandable to the intelligent layman with the object of building up a body of informed opinion on economic issues which are vital to the welfare of the country but which, in the past, have too often been regarded as beyond the comprehension of all but a few experts". An increasing number of people in all walks of life are becoming aware that many of our present difficulties arise from a lack of understanding of economic facts and with de Laszlo's dynamic leadership and wide knowledge and experience the Council has an increasingly important role to play in countering widespread ignorance.

* *The Costs of Education* published by Allen & Unwin. 30 /-.

The Brewing Industry published by Pitman's. 30 /-.

The Impact of Japanese Goods on British Industry. E.R.C. 2 /-.

The Economic and Social Implications of Automation, E.R.C. 2 /-.

V.T.O., 1920-1960

"You must press forward towards such problems as vertical flight, the substitution of some other form of propulsion for the airscrews or propeller."

Mr. (now Sir) Winston Churchill, addressing cadets at the Royal Air Force College, Cranwell, when Secretary of State for War, December, 1920.

Commonwealth Survey

(1) THE CROWN AND THE COMMONWEALTH

On the 16th May, Mr. R. G. Menzies, Prime Minister of Australia, delivered the first Smuts Memorial Lecture, at the University of Cambridge.

From time to time the British Empire and the Commonwealth overseas have thrown up outstanding figures in world affairs. Mr. Menzies himself is one such. But few would be found to deny the premier place to Jan Christian Smuts.

In opening his address Mr. Menzies paid a stirring tribute to Smuts' memory. We should like to have reproduced the whole lecture which marks Mr. Menzies out as one of the great leaders in Empire and Commonwealth history, but space forbids, and we must content ourselves with the following passages.

I WANT now to direct myself to two major questions.

1. What is the significance of the Crown in the new Commonwealth?
2. Apart from the Crown, what are the elements which mark out the Commonwealth from other alliances or organisations of nations?

I cannot deal, however briefly, with the significance of the Crown in relation to the Commonwealth without first saying something about its significance to those who are within the allegiance. Are we the Queen's men and women because, as the fact is, we love and respect her? Or because, out of long experience, we find in the Monarchy as such a focal point, unmarred by political controversy, for our national tradition, consciousness, and ambitions? Or because we are snobs, and love an hierarchical society? Or perhaps,

though citizens of a monarchy, we are not the Queen's men and women, and therefore think that the best way to get rid of monarchy is to vulgarise the Crown, to treat the Royal Family as if they were stars in a public show, to deny them any private life and probe into their real or imaginary emotional experiences, to remove the mystery of monarchy, to destroy the swift impulse in the loyal heart when the Queen passes by, to make all commonplace when the national symbol of the Crown should and must have a moving splendour of its own.

We British people, not discouraged by Republican examples have a deep instinct for the monarchy. This instinct, oddly enough, does not depend upon the personal character and popularity of the Monarch alone. The Georgian era provided some evidence that the people of Britain thought it a better thing to have an

From Monthly Bulletin, Commonwealth and Empire Industries Association.

indifferent or incompetent King (or even Regent) than no King at all. Queen Victoria and King Edward VII had varying popular fortunes, not necessarily for the same reasons.

The great King George V came to the throne amid murmured and sometimes loudly spoken criticism. He survived both, and a great war, and grew into the hearts of his people. When the war was over, a great stirring began, which transformed the conception of Empire and produced the new Dominion Status and the Statute of Westminster. The King shrewdly saw the implications. He accommodated himself to the new Democracy and the new Commonwealth. He saw vividly the technical limitations on his own official power, but with great penetration saw that his own personal influence and experience were not irrelevant. He secured the friendship of Tory and Socialist alike. He on occasion affected their conduct without assertion of prerogative. He lived to be a much loved man, with a much loved wife. He asserted few or no rights, but he was nevertheless the centre of constitutional government. He was, in my opinion, the first great Constitutional Monarch.

The Living Crown

By the force of his own personality George V did much to preserve the true significance of the Crown and to make his many millions of subjects think of the Crown, not as an obstacle to democracy but as a living element in it. This example was superbly followed by King George

VI and his great Queen, and, of course, by our Sovereign Lady of today.

Does our great good fortune, to which most of us have become accustomed during our adult lives, mean that we are for the Crown because of the personal quality of its wearer, and that one misfortune could destroy it? I hope not, and I believe not. Allegiance to the Crown will remain, intangible, not susceptible of legal definition, the most profound of all the unifying influences for the Crown dominions.

But even for those Commonwealth countries which are not within the allegiance, the Crown has, I believe, more than a mere symbolism of friendly association. Last week, the Prime Ministers met in London, Monarchists and Republicans. In the past, they have always met in London. This is not just because London is a convenient meeting place. It is, indeed, not the most convenient place for those who come, as I do, from the far corners of the earth. But London is at the heart of world affairs. The tides of thought and of international relations beat strongly, even if sometimes unsuccessfully, on the shores of Whitehall and Westminster. But, more significantly, London is where the Queen is. Some place or places other than London may in future be chosen; but only, I hope, if the Queen is there. For when a Republican Prime Minister clasps hands with the Queen, I warrant that he sees her as no theoretical emblem, but as something special for him and his country.

Mutual Respect

What are the operative factors which have continued to make the Commonwealth, in spite of all its structural changes, a special association of nations with a mutual relationship which distinguishes it from other world groups?

My answer is that the sense of community between the Crown members and the Republican members is preserved and fostered, not only by the great things we have in common, such as our desire for peace and freedom and resistance to aggression (for these ideas we share with many others), but also by our frequent meetings and personal exchanges at Prime Ministers' Conferences, at meetings of Trade or Finance Ministers, in committees of officials, and in the Commonwealth Parliamentary Association. On all such occasions we may meet as debaters or contestants, but we meet in a special atmosphere which induces both frankness and friendliness; with a feeling that we have a special relationship of mutual respect and common interest. I have, I think, a longer experience of Prime Ministers' Conferences than most men. I will therefore speak about them in particular, though I could with great advantage expand upon the growing significance of the Parliamentary Association. But I speak of those meetings of Prime Ministers which I know so well, because I believe them to be almost the greatest element in the "workability" and special character of the modern Commonwealth.

When we meet, we have no set

agenda. We move no resolutions, and we have never cast votes. But we learn a great deal about the world's problems and our relations to them. The intolerance engendered by long-range and imperfect knowledge is tempered. From time to time, as I well know from experience, we influence each other's thinking, without the discords of public controversy. We have, after all, some community of history and ideas. We no longer aim at producing a common foreign policy, nor do we any longer find ourselves able to envisage the Commonwealth as a "world power". But if we can achieve a common philosophical approach to world problems, there is life and virtue in our deliberations.

We do not meet as a tribunal, to sit in judgment upon each other, or to ventilate and pass upon intra-Commonwealth issues. We are not a superstate.

The Measure of Democracy

The Prime Ministers' Conference would break up in disorder and the new Commonwealth would disintegrate if we affected to discuss and decide what we thought to be the proper measure of democracy in our various countries; whether particular groups should or should not have the vote; whether oppositions should be respected; whether a Parliament should control the Executive. On all such matters, "autonomous" or "independent" nations must have the right to manage their own affairs in their own way.

We are not a court. We are brothers in a special international family. We have done well so far because we have nurtured our elements of unity with loving care and have sought to resolve our differences in a friendly and mutually helpful way. There is, in brief, a quality of intimacy about our meetings which relegates the protocol of diplomacy to its proper place; induces personal friendships; and enables us, between conferences, to communicate with each other without hesitation or reserve.

I know of no other association which possesses these attributes to anything like the same degree. When we meet, we are much more than a group of individuals; we are conscious of the fact that the whole is greater than the sum of its parts.

Contrast all this with the United Nations, where large numbers of delegates to the Assembly meet, of necessity, almost as strangers; where, of necessity, resolutions are tabled, amendments drafted, votes canvassed, and majority decisions taken; where the inevitable bargaining tends to weaken mutual trust. These things must be so in great multi-national meetings, where there are no old ties of friendship to preserve, and no great or comprehensive tradition of well-remembered and well-loved association in peace and in war.

Do you feel that this approach is sentimental? I admit it. Indeed, what I have just been saying amounts to this: that it is a cynical error to suppose that when the first Republic entered the Commonwealth door the old sentiment flew out of the win-

dow. We still have an attachment to each other which none of us would deny. That is why we see in our newly independent nations such eagerness to remain in the Commonwealth. That is why I can sit in a Prime Ministers' Conference and feel instantly as much at home as if I were sitting in my own Cabinet.

Not Easily Transplanted

In the old Commonwealth, and under the Crown, the great traditional expression of constitutional monarchy was Parliamentary self-government. So much was this "bone of our bone, and flesh of our flesh" that we have been tempted to regard it as an essential part of the Commonwealth inheritance. Most of us have, in post-prandial speeches, succumbed to the temptation. But, as we look back and around us, is this true? Our British institutions of democracy have grown from the soil, over long centuries. But they cannot be easily transplanted.

Modern history proves this. They were tried, and failed, in Russia and in Germany. They have had a chequered history in France. They suffered a long conclusion in Italy. They have been swept aside by *force majeure* in the historic countries of Middle Europe. They do not exist in Continental China. They are now struggling to life in Japan. What of the new Commonwealth countries? If we survey Commonwealth mankind from Ghana to Malaya, we will begin to understand that one of the great implications of independent nationhood is that when people win

self-government they choose or permit their own forms of government.

It is one of the many errors of modern emotional thinking, or of emotion at any rate, to believe that when a former colony becomes free of foreign rule, all that needs to be said is: "Now, elect your own Parliament, have a Government and an Opposition, make your laws democratically, and all will be well!"

The truth, as I see it, is that each new Commonwealth country, as it achieves complete independence, tends to begin its adventure by developing a higher degree of executive authority at the centre, and correspondingly a lower degree of parliamentary power, than we are accustomed to. Parliamentary government is not an artificial creation which can

be established in a new country by a mere act of law. If it tends, with us, to give expression and protection to individual rights, that is because we have a passion for individual freedom, of which Parliament has become the expression and the guarantee. The historic movement has been, in the famous phrase, "from status to contract". Our parliamentary system is based upon the free individual. If we occasionally respect our governments, and always, or almost always, obey the laws passed by Parliament, it is because the body of citizens, with equal political rights, have chosen our ministers and legislators, and can dismiss them; though this, to one who has survived five successive elections, is a sobering reflection.

(2) SOUTH AFRICAN LETTER

By EDWARD F. JEAL, B.Sc. (Econ.), London, F.C.A.

THERE has been an improvement in human relations since my last letter, due to softer police action, with a new Commissioner, and higher pay voluntarily granted by many employers. Progress has been made in the relaxing of the State of Emergency regulations and there is talk of enfranchisement for the Coloureds in Orange Free State and the Transvaal, to put them on a par with the coastal provinces. Indeed, it looks as if any danger of further trouble has gone for the present.

Gradually, a number of reforms suggested by business should get adopted—if only time is allowed to do its work in obliterating their

origin and divesting them of obvious multi-racial flavour. Therein lies the politics of it all. Nobody knows yet how Bantustan industrial development could be financed, but we are nowhere near to that yet, and any government would be obliged to continue and intensify reclamation work in the Reserves, especially if, as is desirable, the trek townwards is to be arrested. There is thus plenty of room for inter-party negotiation, did men become so minded.

Means and Ends

Everyone is agreed on the end to be attained, viz., the permanence of White settlement; it is on the means

that men differ. Their difference is the more difficult to resolve because they are lined up, broadly, in the two White racial groups. One is larger in numbers, and in power; the other is more powerful in business, more advanced generally and so less likely to feel competition from advancing non-Whites. All this gives rise to hyper-sensitiveness and to much angling for position after the manner of 'cheap' politics.

The answer lies in gradualness and trial and error, if only there is time, and if only press and other agencies do not cause haste to be made the more slowly by the spirit of contentiousness and misunderstanding that they provoke. Meanwhile, the expected horrors of the Congo are fortifying the conservative minded. They fail to see that excessive conservatism, at least over political education, is partly responsible for what followed the precipitate Belgian action.

Then there is the issue of the Republic. This gets more intriguing every day. Nobody can say whether there will be a Referendum this year or not; for, like the hesitant lady, the Prime Minister has kept on refusing to name the day. He will not accept responsibility for an act which has been turned over to three Nationalist party bodies to be specially convened during August to decide whether the Republic is to be in the Commonwealth and when the question is to be submitted to a vote.

Republican Misgivings

As there is much worry in the

minds of those whose pockets would be affected, were the Union not to secure re-entry to the Commonwealth, it is by no means certain that the various deliberating bodies will vote heavily for a testing of the issue this year, which Professor Pistorius has described as just the time not to stage such an affair. This is leading to a tortuous line of blind assertion that the White Commonwealth will back the Union's re-entry; otherwise, it would be clear that the Commonwealth was Colour-dominated and South Africa better out of it.

The other doubt on the matter is the degree of English-speaking support that is likely; for the Opposition say the timing is such as to make a vote against a Republic a vote against the Government, and conversely.

The outcome may depend on events in Africa between now and the time of date fixing, e.g., a blood bath in the Congo or the confusion in Kenya expected if present Colonial Office policies continue. People in general are, in their hearts, thankful for the stern way in which the disorder in the Union was handled. Whilst many would now welcome relaxation and a quicker application of constructive measures, only care-free "liberals" would forge ahead precipitately. In the dorps the small traders, mainly Jewish, are assimilated to Afrikanerdom. In the big towns, many English-speaking people are irate at "Macmillanism" and press exaggeration, to the point where some aver their interest in a republic as a

matter of patriotism. Others who may allege their royalism would not necessarily reflect it in secret at the urn. It is said that a negative vote would be disregarded in favour of

parliamentary voting, but this is doubtful. Another factor is that business is bad and getting worse, which could tell heavily "agin the government".

(3) AUSTRALIAN PEER ON INDIA'S FIVE YEAR PLAN

THE first Indian Five-Year Plan largely succeeded and added considerable strength to the Indian economy. The main emphasis was on agriculture and the output of foodgrains was substantially increased. The seasons and the terms of international trade were generally favourable over the 1951-56 period with relatively high prices for Indian exports. National income increased by about 18 per cent and real per capita income by 11 per cent. These satisfactory results were achieved with only moderate external financial aid of £200 million from all sources for the whole five year period.

The Second Indian Five-Year Plan (1956-61) was much more ambitious. It aimed at a 25 per cent increase in national income. The main emphasis was on industrialization and on the development of basic and heavy industries.

The Second Plan met with appreciably less favourable conditions than the First. The seasons were patchy and the terms of trade began to move against India. As a result the Second Plan had to be trimmed and the anticipated targets will not be fully realized. Substantially greater foreign financial aid is being needed than had been anticipated.

Planning for the Third Indian Five-Year Plan which starts in March 1961, is already well advanced. The total outlay (the equivalent of nearly £8,000 million sterling) is likely to be nearly five times that of the First Plan and nearly double that of the Second. It will entail large increases in foreign exchange. The basic industries are to be stepped up and light consumer goods industry will be emphasized, and agricultural production will be increased to meet the growing demand for food. It is to be a most ambitious plan, which will necessitate all the external aid that India's friends can provide.

Gigantic Effort

This is not the time or the place to discuss the problems that the Third Indian Five-Year Plan will undoubtedly produce and of which Mr. Nehru is well aware and has spoken publicly.

It is enough to say that, whatever the obstacles to be surmounted may be, India is making a gigantic effort, unprecedented in the non-Communist world, to modernize her economy; and to this end she is bringing, under the direct and tireless drive of Mr. Nehru himself, a remarkable degree of purpose, imagination, constructiveness and technical skill.

Lord Casey, House of Lords, 30th June, 1960.

A matter of high consequence of the Third Indian Five-Year Plan is the expressed hope that the rate of economic advance that will result if

the Plan is successful, may enable the Indian economy to get over the static stage and become self-generating.

(4) HOW LABOUR SEES AUSTRALIA

High Priority for Investment

To what extent does the British Labour Party support investment in Australia? How does it view export of manpower? The Rt. Hon. P. C. GORDON WALKER, M.P., a former Labour Secretary of State for Commonwealth Relations, here discusses these questions.

THE British Labour Party regards the continued growth in size and stature of the Commonwealth as of paramount national importance. In half a century the strength of the Commonwealth will be very great indeed. Its peculiar composition and structure as a body of sovereign nations of every race and creed will enable it to make a major contribution to world problems.

We do not regard Britain as having any special rights or status in the Commonwealth. We fully recognized Australia's rights, for instance, to conclude the Anzus Pact to our exclusion. Australia is as much a metropolitan power as we are. It is to the interest of the Commonwealth as a whole (so long as we maintain and develop the intimate network of Commonwealth consultation) that each member should play the fullest independent role in its part of the world.

It is clear that Britain still has, for historical reasons, special duties in the Commonwealth. These include

investment and the flow of manpower from Britain to other parts of the Commonwealth. Neither of these presents an altogether simple problem. One cannot simply say—"invest all we can and send all the men and women we can".

Kill the Goose

Britain, too, has its need for investment and manpower. Apart from that, it would be foolish to kill the goose that lays the golden eggs. Unless we invest more at home, there will come a time when there will be less to invest in the Commonwealth. Equally, if too many of our younger and vigorous people emigrate, our population will fall and the future stream of emigration will dry up.

It is a matter of balance. We recognize that we must sustain a far larger flow of emigration than if there were no Commonwealth. We want to concentrate emigration as far as possible within the Commonwealth and we fully support the policy of giving Commonwealth countries a

From News from Melbourne issued by the Victorian Promotion Committee

monopoly of propaganda for emigration in this country.

Sterling Area

As regards investment, developments in Europe have sharpened our interest in the Commonwealth. Practically everyone in Britain is agreed that we cannot enter the Common Market as full political members. We should in the end lose our political identity; and in consequence cease to be a sovereign unit in the Commonwealth. Nor are we willing to surrender the free entry of Commonwealth products—which benefits us and other members.

Personally, I do not take so dismal a view as some about these consequences of the Common Market upon our trade. Certainly Germany will gain, but her higher tariffs will advance her costs and give us an advantage in third markets—and above all in the Sterling Area, which is our greatest market.

Certainly we must bestir ourselves. Above all it is vital that the Commonwealth market should expand at least as rapidly as the Continental market. Since the war it has tended to be relatively sluggish. This is the most important argument for increased British investment in Australia and other parts of the Commonwealth.

Labour regards increased investment in underdeveloped countries as

an obligation of the more developed countries. Our prime duty is towards developing countries in the Commonwealth and we would favour Commonwealth co-operation to this end.

Colombo Plan

The Colombo Plan seems to us a model to follow and we should like to start up Colombo plans in Africa and the West Indies.

The great problem is that there is insufficient capital to go round. Where there is scarcity there is a case for the planned use of resources.

The Labour Party would welcome a more closely concerted running of the Sterling Area by all the countries of the Commonwealth. We think the day has gone when Britain, as the banker of the Sterling Area, can run the show. All members should assume a share of responsibility. We should be ready to discuss guaranteed markets in Britain for Commonwealth goods, as part of a larger co-ordinated plan.

We want to give high priority to investment in Australia. But I doubt if this can be left altogether to the so-called free play of the market. We must, for instance, see that unco-ordinated investment does not upset the balance of payments either of individual Members or of the Commonwealth as a whole. This is an overriding common interest.

Harrow has helped me in maintaining a certain association, fellowship, and friendship between my country and the United Kingdom and the Commonwealth.—*Jawaharlal Nehru.*

(5) POINTS ON SOUTH AFRICAN EXPORTS:**A CHANGING PATTERN**

1. Exports of Union products—without gold or uranium—have increased to fourfold between 1938 and 1958.

2. Best customers of the Union are the United Kingdom, the Federation of the Rhodesias and Nyasaland and some Western European countries.

3. Purchases by Commonwealth countries have increased and in 1958 amounted to three-fifths of Union exports. Continental Europe and the Commonwealth—without Britain—are about equal in importance to South Africa.

4. There is a shift in export destinations from industrialized to less

developed countries accompanied by a shift in the type of export goods from raw materials to manufactured articles. Such diversification is most welcome from every point of view.

5. Developments in Europe towards larger economic units might adversely affect the Union's European and African markets.

6. Striving for independence and self-sufficiency by emerging new states may affect the export of certain Union products but on the whole is more likely to increase the demand for imports, necessitating a further adaptation of the Union's producers to changing conditions.

From an article by Dr. F. F. Winklé published in Finance and Trade Review issued by Volkskas Limited, Pretoria.

LAGGING BEAR

In short, there is no possibility that the Russian economy will overtake ours, at any time in the visible future—certainly not in this century. We should not begrudge the Russian people whatever rise they may achieve in their material levels of well-being in return for the privation and hardships they have suffered in the name of economic growth.

Even the "demonstration effects" of Russian economic expansion may be vastly over-emphasised. While her 6 to 8 per cent annual rate of growth in total production in recent years may seem impressive, other countries not under Communist domination have and are doing better. The economic progress of West Germany, Japan, and Mexico, for example, is far more striking. As a matter of fact, Russia itself grew faster under the Czars during the decade before the First World War.

Extract from an address by W. Allen Wallis, Chairman of the U.S. Cabinet Committee on Price Stability for Economic Growth.

Russian-Chinese Conflict?

(1) "WAR WOULD BE MADNESS"

From a speech by OTTO KUUSINEN at the Lenin Anniversary Meeting in Moscow

THE change in the balance of forces on the international scene, the growing might of the socialist camp and the obvious disastrous consequences of another war—all this leads to a split in the ruling circles of the imperialist states. There appears, alongside the thick-skulled opponents of peace, sober-minded statemen who realise that a war with the use of weapons of mass destruction would be madness.

Such are the dialectics of military-engineering progress:

A new weapon created for war begins to exert an influence in favour of peace. For Marxists there is nothing mysterious in this. The classics of Marxism have never denied the fact that new types of weapons can

not only bring about a radical change in the art of war but can also influence politics.

For instance, Engels wrote about this in *Anti-Dühring*. And Nad-ezhda Krupskaya tells us that Lenin foresaw that "the time will come when war will become so destructive as to be impossible."

Lenin told Krupskaya about his talk with an engineer who had said that an invention was then in the making which would render it possible to destroy a large army from a distance. It would make a war impossible. "Ilyich," Krupskaya writes, "talked about it with great enthusiasm. It was obvious that he passionately wanted war to become impossible."

(2) "WAR IS BY NO MEANS RULED OUT"

CHINA supports peaceful co-existence, but as long as the imperialist system exists, war is by no means ruled out. Lenin was "absolutely correct" when he laid down that wars of one kind or another would exist until the imperialist system and exploiting classes came to an end. The U.S. imperialists are continuing to plot new wars and it would be "absolutely impermissible" to mistake tactical changes on the part of imperialism for changes in its nature. It is true that the emergence of a

powerful Socialist system has weakened the position of imperialism, but imperialists have not laid down the butcher's knife or abandoned aggression.

The realisation of "peaceful co-existence" at certain periods has only been brought about through struggle. Only an alliance of the Socialist bloc and all anti-imperialist forces can maintain peaceful co-existence.

If the U.S.A. or any other imperialist Power launches an atomic war, "huge sacrifices" would be imposed

Summarized from articles in Red Flag

on the peoples. But imperialism, and not mankind in general, would be annihilated. "On the debris of a dead imperialism the people would quickly create a higher civilisation than capitalism".

Revolution means the use of

violence by the "oppressed class". Lenin was right when he said that no ruling class ever gave way without a struggle. China does not reject the concept of a peaceful transition to Communism, but as Lenin pointed out, "the opportunities for this are extraordinarily rare".

A Russian View of G.A.T.T.

By ANASTAS MIKOYAN

PROBLEMS of international trade have recently been much to the fore. Immediately after the war, the main problem in trade was finding, not a buyer, but a seller. Later, as production increased in the countries where it had suffered most because of the war, and a general (though not even) rise took place in world production, the chief problem again became that of finding a buyer, in other words—the search for foreign markets. Unless they can solve that problem, capitalist countries find it difficult to ensure a further growth of output.

Hopes not Justified

Soon after the end of the Second World War, a number of countries signed the General Agreement on Tariffs and Trade (GATT) outside the framework of the United Nations. The contracting parties to this agreement set themselves far-reaching tasks and looked to GATT to solve many problems of international trade.

Experience has shown, however, that their hopes were not justified.

What grounds do we have for saying this? I think it will be sufficient to give just two facts.

1.—Only 37 of the 82 United Nations countries are fully-fledged members of GATT, in spite of the fact that it has been in existence for 13 years. If it really is a good organisation and if its claim to universality is well founded, why should so many United Nations members be reluctant to join it? The explanation is that GATT largely serves the interests of the western countries which have highly-developed economies. Many of the countries which, through no fault of their own, lag behind in industrial development, feel that membership in GATT would interfere with their industrial development, in view of what its principles and practice amount to.

It follows from this that if GATT does not change and if it continues in its present form, its prospects will

An extract from an article originally published in the West German newspaper Handelsblatt

not be very great as far as the majority of countries are concerned, since that majority is still in the initial stage of industrialisation and evidently needs different principles and a different kind of practical activity to ensure normal conditions for rapid development. Most of the socialist countries do not belong to GATT either, for reasons of their own.

2.—It is also evident that GATT does not fully satisfy the interests of all the highly-developed industrial countries of the West. How else can one explain the appearance of the six-country "Common Market" in Western Europe, and the market of

seven countries (otherwise known as the "European Free Trade Association")? And what about the Latin American countries? Prompted by other reasons and interests of their own, they have decided to create their own market which, it seems, will embrace all or most of the countries of Latin America, many of which are already members of GATT.

All of which goes to show that GATT does not satisfy present-day requirements in international trade and in its present form cannot expect to become a universal organisation. Thus, there is a need to find other channels.

Depreciating Money

THE shrinkage of currencies is measured from the rise in official cost-of-living or consumer price indexes. The ten-year span is subdivided into two five-year periods.

Portugal, Switzerland, and Ecuador, as in our previous tabulation for 1948-58, continue to be among the countries with the best records, Ecuador providing a rebuttal of the idea that economic development requires inflation. In Germany, rising price pressures have recently become more apparent but the ten-year experience of only 1.2 per cent per annum depreciation is still among the best in the world.

In the United States, the rise in consumer prices has been retarded since 1954, paring the annual rate of dollar shrinkage for the decade to an

even 2 per cent. The record in Canada is rather similar. Among other industrialized nations, the progress of inflation has been decisively curbed in Japan, Italy, the Netherlands, and the United Kingdom, although rates of currency depreciation for this group of countries over the ten years still range from 2.7 to 4.1 per cent. In France, where the annual rate over the decade works out to 6 per cent, the benefits of President de Gaulle's reforms do not clearly show on the record up to 1959 since they involved removals of cost-of-living subsidies that concealed what was happening to the franc.

In nine of the thirty-five countries, the shrinkage in the value of money over the decade averaged between 6 and 8 per cent a year; in six others,

From Monthly Letter, The First National City Bank of New York

beyond 10 per cent. In all these cases efforts have been or are being made, usually with the aid of international institutions, to restrict government spending and overabundant money supplies. Sometimes these efforts have done no more than keep inflation from running completely out of control and reducing money to worthlessness. In other instances, as

in Australia and Greece, they have succeeded in sharply reducing the rate of shrinkage of money. In still other cases, as with such Latin American countries as Argentina, Chile, Colombia, and Peru, the record of the 1949-59 decade shows the background of inflation which stabilization programmes are resolutely combatting with good promise of success.

Depreciation of Money

Indexes of Value of Money				Annual Rate of Depreciation (Compounded)		
	1949	1954	1959	'49-'54	'54-'59	'49-'59'
Portugal	100	103	95	-0.6%	1.5%	0.5%
Switzerland	100	94	90	1.2	1.0	1.1
Germany	100	99	88	0.2	2.2	1.2
Ecuador	100	85	86	3.2	-0.2	1.5
Venezuela	100	92	85	1.6	1.5	1.6
Belgium	100	91	83	2.0	1.7	1.8
Pakistan	100	90	83	2.0	1.6	1.8
India	100	99	82	0.1	3.7	1.9
United States	100	89	82	2.3	1.7	2.0
Canada	100	86	79	3.0	1.7	2.4
Italy	100	84	76	3.5	1.8	2.7
Japan	100	78	75	4.9	0.7	2.8
Netherlands	100	79	70	4.6	2.5	3.6
South Africa	100	78	70	4.7	2.4	3.6
Denmark	100	82	68	3.9	3.6	3.7
United Kingdom ..	100	78	66	4.9	3.2	4.1
Sweden	100	78	65	4.9	3.4	4.2
Norway	100	71	62	6.6	2.8	4.7
New Zealand	100	72	61	6.2	3.3	4.8
Spain	100	82	55	3.9	7.6	5.8
France	100	69	54	7.0	5.0	6.0
Greece	100	63	54	8.9	3.0	6.0
Austria	100	59	53	10.1	2.2	6.2
Finland	100	69	53	7.2	5.1	6.2
Australia	100	61	52	9.4	3.1	6.3
Mexico	100	71	48	6.6	7.4	7.0
Peru	100	66	45	8.1	7.1	7.6
Colombia	100	67	45	7.8	7.6	7.7
Turkey	100	88	45	2.4	12.7	7.7
Uruguay	100	66	31	7.8	14.4	11.2
Brazil	100	51	19	12.5	18.3	15.5
Argentina	100	39	9	16.7	25.9	21.6
Paraguay	100	10	5	37.5	12.9	26.2
Chile	100	27	4	23.1	30.1	26.7
Bolivia	100	11	1	35.7	40.4	38.3

Note Depreciations computed from unrounded data and measured by reciprocals of official cost-of-living or consumer price indexes.

The Two Nations : 1960 Edition

By DOROTHY CRISP

THE existence of Disraeli's Two Nations was an affront to justice but the two nations which have replaced that division between rich and poor have justice by the throat.

There is today a deep dichotomy in England, an utter lack of agreement between what the politicians and press say to the world and what we all say in our clubs or when we meet each other while taking the dog for a run. Thus, when a British Minister avows that the re-unification of Germany is essential to European settlement, never a day passes but some say, "Well, old Khrushchev may be a stinker, but we owe him a debt of gratitude for keeping Germany divided. She's been nothing but a nuisance when she wasn't divided."

Similarly, when our politicians talk about preserving the "Western way of life", we do not know what they mean and we do not think that they do either. The politics of Turkey, the slums of Naples and the elephantine performances of the Pentagon do not find a common denominator in the English heart. We are simple-minded. We stick to hard facts. The "Western way of life" did not inspire anyone to fight in 1940. We fought for England and the British Commonwealth and Empire. And nobody else fought at all.

Bewildering Reappraisals

Now in July, 1960, the United States has no objection to West

Germany acquiring the Polaris and other strategic offensive missiles; so at least says Mr. Brucker, The United States Secretary for the Army. The sequent row on whether the German Defence Minister, Herr Strauss, "informed himself" while in New York as he says, or "interested himself", as the United States says, leaves us cold. We only remember the recurrent notes of warning during the months and years of steadily increasing German military power. We remember that the rearming of Germany was the result of a sudden switch in American policy at the beginning of the present decade, and we do not consider the results of other U.S. foreign policy give much hope of this one being ultimately justified.

"Preponderance"

The English people were never reconciled to an American over all command during the war, and although they perforce accepted the Prime Minister's statements concerning a "vast preponderance of American troops", a nagging, unformed, very shrewd doubt persisted. How well-founded was that doubt, I have just proved by official figures given in "The Dominance of England".* Since the United States have only recently published the figures of their "combat troops", it was necessary to wait until they could be obtained from Appendix E of a volume

* Holborn Publishing Company, 21/-

of their official war history. In 1946 I persuaded the War Office to "break down" the figures of our own fighting men. When this was accomplished, the officer concerned simply remarked: "I am astounded myself, I had no idea they were so many."

Only in "The Dominance of England" have these figures been published, and they prove that the war effort of the United Kingdom alone, to say nothing of the British Commonwealth and Empire, to be superior to that of the United States. Yet it is now commonly accepted that military superiority brought the U.S.A. the political leadership of "the West". In hard fact, political leadership was finally promised to her by the former Foreign Secretary, Ernest Bevin, lest she should take her bat home and refuse to play. Determined that the U.S.A. should not leave us to the political mess her military leadership had created in Europe, Bevin agreed, at the Foreign Ministers' conference in New York in September 1950, that Germany should be rearmed, because it was

the price the U.S.A. demanded for sending reinforcements to Europe.

Mistrust and Malaise

Politicians have misled us as to our own strength, and, though our people had not the means to contradict them effectively, they have never believed them. This fundamental distrust is contributory to the social malaise in England today, and to the ineffectiveness of the Commonwealth.

If the Commonwealth were to consider the facts of the last twenty years, and would formulate the policies that must inevitably flow from acceptance of the facts, the world would be a startlingly new and more hopeful place. The alleged 'giants' of today would tomorrow be wondering what *we* were going to do next, a change as healthy as it would be pleasant.

Our top politicians may tell us we cannot do it: all they really mean is that they cannot do it. To their eternal shame, top politicians told Dominions visitors in March 1940, "The British people won't stand bombing".

DILEMMA OF THE UNDER-DEVELOPED

Vietnam is placed like all its brother under-developed countries, both internally and externally, between a dual pressure. On the one hand it must confront a mortal enemy who, under the guise of liberation, tries to crush all Man's liberties. On the other hand, it must defend itself against well meaning people who, in the name of liberty, may well crush the Social Revolution, the fundamental aspirations of the masses.

That is a reality which overrides both personal considerations and the traditional calculations of the parties, and whether we like it or not, it conditions our problems, and the solution of these problems, and from it stem the difficulties and preoccupations of all the governments of under-developed countries.

The President of the Republic of Viet-Nam in his Annual Message.

Rural Economy

(1) 'THE WIND OF CHANGE IN AGRICULTURE'

By L. DUDLEY STAMP, C.B.E., DD.Litt., D.Sc., LL.D.

First Montagu Fordham Lecture under the auspices of the Economic Research Council

DELIVERING the first Montagu Fordham Lecture on June 14th, 1960, Dr. L. Dudley Stamp said that Fordham was in advance of his time; his views were out of line with those of his contemporaries, especially the economists. The 1930's marked the *nadir* of British farming, the part it had played in countering the submarine siege of 1918 had been completely forgotten. Yet all Fordham asked was that agriculture should be accorded a recognised place in the British way of life; he saw the farmer as more than a producer of food; he saw him as the custodian of the national estate and the countryside. So he pleaded for protection against dumped food imports, for a guaranteed market at reasonable prices for home produce. Though largely ignored, his wisdom and determination in founding the Rural Reconstruction Association yielded a phalanx of believers. That some of the seed must have fallen on fertile ground was shown by the fact that "when war broke out, a well-designed and well-oiled machine was ready to be slammed into top gear. Agriculture became the fourth fighting service."

Fordham's Principles Now Accepted

The principles for which Fordham fought so valiantly, continued Dr.

Stamp, "have now become so integrally a part of our national thinking that it is scarcely possible to cast our minds back to the 'thirties and realise the immensity of the change." As a result of the Barlow Commission and the Scott Committee, the town planner had been forced to think of the effect of his work on the countryside, and to think of land quality. The Agriculture Act of 1947 had firmly established Fordham's principles, giving the farmer a guaranteed market for stated products, with prices fixed in advance. It also gave him security of tenure, conditional on good husbandry.

"Kaleidoscopic" Changes in Agriculture

Changes in agriculture were taking place "with kaleidoscopic complexity and rapidity". Two of the keynotes of the New Agricultural Revolution were mechanization and chemicalization. The former was so well advanced that by 1957 there were over half-a-million tractors in Britain as compared with 52,000 in 1939. Despite former doubts about rural electrification, the farmer today was a more profitable customer for electricity than the townsman. His telephone, too, kept him in touch with his machinery service station and

Summary of an address to members of the Economic Research Council and Rural Reconstruction Association.

was tending to untie the tied cottage, since the cowman need no longer live on the farm.

Unknown Effects of "Chemicalisation"

Artificial fertilisers, said Dr. Stamp, were being used on a scale undreamt of a few years ago, but the yield of crops, though it had risen sharply, had not, in Britain, increased in proportion to the increase in fertiliser usage. There was here an unresolved dilemma—a "pedological paradox." Keeping the land in good heart implied, among other things, maintaining conditions in which the minute flora and fauna of the soil could do their work of converting plant and animal waste into plant food. What was the effect of chemicals on these hard workers, not forgetting the earthworms? Comparatively little attention had yet been paid to this basic problem, but it would seem that we were being "forced to use expensive fertilisers to replace the nutrients previously manufactured free of charge by the minute inhabitants of the soil."

Little was known either of the ultimate effects of the huge range of chemical weapons used against pests and diseases. Certainly the balance of nature was being upset, and long-

term effects might be wholly unexpected. Among humans, the killers of the past such as diphtheria and pneumonia had largely been conquered and the span of life extended; but new problems of nervous and metabolic diseases were increasing and baffling the doctors. It was roughly the same in the animal world; the cowman today had to be something of a vet; tomorrow he might have to be an animal psychoanalyst as well.

The Future of the Village

It was obvious, concluded Dr. Stamp, that the farmer and his assistants would become highly skilled specialists. Though he himself believed there was a great opportunity for using earth-moving machinery for *making* good soils on thin or poor land, it was clear that inherently good land would repay conservation and retention in agricultural use. He foresaw little change in the general pattern of size of farms, but believed that, with fewer people working on the land, the survival of villages as viable units would depend on an influx of "adventitious" population—those who live in the country from choice. In this, we saw a "vital integration of town and country" to a greater extent even than was Montagu Fordham's dream.

(2) AGRICULTURAL CO-OPERATION IN ENGLAND

Specially contributed

IT is not surprising if the man in the street, failing to see any outward signs of co-operative activity but hearing of statutory Marketing

Boards, were to suppose that co-operation plays no part in the life of the English farmer.

Nothing, however, could be further

from the truth. £135½ million of the total agricultural turnover in 1958 was conducted through co-operative channels—through farmer owned trading societies. These societies returned to their members nearly £2 million in bonus and nearly £1½ million in interest on share capital.

The steady rate of progress from a turnover of a mere £25½ million in 1946, £129 million in 1957 to this figure of £135½ million in 1958, has aroused much interest. Farmers and growers are asking how these societies achieve these results while continuing to trade competitively and to give their members an efficient service.

Commercial Undertakings

Societies are first and foremost commercial undertaking who conduct their business to the maximum benefit of their members. Registered under the Industrial and Provident Societies Act, a society has to be owned by those who are going to use it. It cannot, as in the case of a Company, be owned by the public at large. Conversely, the societies must do most of its business with its members.

A member can only hold a limited amount of share capital and, whatever the size of his share, can only have one vote. These owner members operate their business on a cost basis and, after all expenses are paid and necessary sums put to reserve, receive back any remaining balance as a bonus. This is distributed on the basis of their patronage and is given either in cash or as investment credit in their own societies.

These then are the essentials of the system which the Registrar of Friendly Societies ensures are strictly maintained by requiring an annual return from Societies as to how they have conducted their business.

Farmers in England are mostly members of one, and sometimes of more than one, Society. However, too few take a really active interest in their own Society's affairs. One reason for this is a mistaken, but unfortunately widely-held, belief, that societies have a political affiliation. Another is that the farmer as a staunch individualist ought to have no part in co-operation. This view, if it ever held much truth, is untenable today and opinions are changing fast.

The Central Body

Today the Agricultural Central Co-operative Association Limited exists as the central body for the promotion of agricultural and horticultural co-operation in England.

The salient feature of the A.C.C.A. is that it is composed of two classes of members. On the one hand are the societies, organised into five regional groups and electing 15 out of the 27 members of the Council. On the other hand, the National Farmers' Union Development Company appoints as its representatives 9 persons nominated by the N.F.U. Council. There are also three co-opted members, including the N.F.U. President. This close constitutional relationship, designed to secure a close working partnership, is backed by the following Association rule:

"The N.F.U. shall recognise the Association as being responsible in the co-ordination and development of agricultural co-operation in England with the right of approach to Government Departments and other authorities on matters which concern the trading operations of agricultural co-operative societies and organisations so long as they have no implications on overall agricultural policy. In matters of overall agricultural policy, the Association shall recognise the necessity for the Union to act as the national organisation speaking for all sections for the agricultural industry."

Advantages

A logical arrangement such as this offers great advantages to both sides. Most farmers are at the same time members of the N.F.U. County organisations and shareholders in their local societies. It would be absurd if these two groups, having a largely common membership, were to act in conflict. The composition of the Council of A.C.C.A. ensures in

fact that any divergencies of policy will have attention drawn to them. N.F.U. County Branches send their representatives to A.C.C.A. Regional Committees and within their branches there is often a Co-operation Committee (or other Committee authorised to deal with the subject) to which representatives of their local societies may be invited.

A.C.C.A. is the central body for England, Wales, Scotland, Northern Ireland and the Irish Republic have similar bodies for the promotion of Agricultural and Horticultural Co-operation. These five national organisations together with the Plunkett Foundation (a research body) and the Agricultural Co-operative Managers Association form the Federation of Agricultural Co-operatives—the apex of the movement throughout the British Isles.

Those who know similar overseas organisations appreciate the vast possibilities of further development in this country and the fact that there is not too much time to plan and carry out this expansion.

THE Constitution of UNESCO contains the quotation "Since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed".

To this end, the monthly "UNESCO Courier", with well-illustrated articles, publicises the interesting world-wide work done by the Children's Fund, the World Bank, the International Labour Organisation and other United Nations specialised agencies as well as that of UNESCO.

Readers of the *Commonwealth Digest* can obtain a free specimen copy by writing to: "UNESCO Courier", UNESCO (DPA), Place de Fontenoy, Paris 7e, mentioning this *Digest*.

To register an annual subscription of 10/-, send remittance stating which edition required (English, French, Spanish or Russian—also German from October, 1960) to:—

MRS. PETER AYRES, TOOT HILL, ONGAR, ESSEX

How to Reduce Taxes

By Sir OSCAR HOBSON

CAN we get taxes down? And if so, how? One seems to observe the spread of a good deal of rather despairing resignation, not to say defeatism, on these questions. Many people seem to have given up believing in the possibility of any sizable cut in their taxes. They are being told by experts in the fiscal field that no appreciable reduction is ever likely to be possible. It is being explained to them that the great bulk of national expenditure is determined by "policy" and that, as the country wishes to be liberally endowed with social services and to have good defences, the only reasonable attitude, having willed the end, is to will the means and pay up cheerfully. From the eminence of their superior knowledge, Ministers are constantly declaring that in the absence of radical changes of "policy" the economies to be derived from purely administrative tightening up are quite trivial. After the Treasury "watch dog" has done his stuff, one gathers even Mr. Gladstone would hardly find any candle ends worth picking up.

Well, I for one do not accept all these smooth assurances. And I am glad to notice the emergence of a small group of members in the House of Commons, some of them of indisputable authority and experience, who do not accept them either. I do not believe that the possible administrative economies are as negligible as they are made out to be.

After all, a saving of even 2 per cent, on a departmental expenditure bill of £5,000 million would yield a nice round £100 million. I do not believe in this sharp dichotomy between end and means, between "policy" and administrative routine.

Substantial Cuts

Therefore, I do not believe that it is impossible to make substantial cuts in taxation in the life of the present Parliament. On the contrary, I do believe that it is of the highest importance for the future vigour and prosperity of the country that taxation should be reduced. I hold that taxation is still much too high. It is true that since the end of the war the proportion of the National Income removed by the tax gatherer has fallen quite sharply—from well over 40 per cent, including local rates, to around 33 per cent at the present time.* Nevertheless, the weight of British taxation is as high at that of any country in the world and much higher than most. It is so high that it leads to evasion at all income levels. And, while this may be impossible to substantiate, it is very difficult to believe that the almost savagely progressive scale of direct taxation does not exert severely (and very likely increasingly) adverse effects on initiative and enterprise. To take a couple of examples at random. The single man whose earnings rise from £600 to £700 a year—say £12 to

* The fall, however, was entirely in the years to 1954: there has been no net fall since.

£14 a week—pays away not less than £27 of the extra £100 in income tax. And at the high but not highest executive level the man whose income rises from £6,000 to £7,000 (say from £2,000 to £2,300 in pre-war equivalent) pays away £670, i.e., over two-thirds of the additional £1,000 in income tax and surtax. Can it really be contended that pecuniary discouragement dealt out on this scale stimulates productive effort and enterprise?

Controlling National Expenditure

But now I must deal with our present methods of controlling national expenditure. Having myself no direct experience in this matter, I must rely on the testimony of authorities who have. One such authority is Mr. Enoch Powell, Financial Secretary to the Treasury in 1957, who resigned with his chief, Mr. Peter Thorneycroft, owing to disagreement with the rest of the Cabinet on the matter of departmental expenditure. He expressed some frank views on "Treasury Control in the Age of Inflation" in *The Banker* of April 1958. Another is Sir Herbert Brittain, a distinguished civil servant, who, on his retirement from the Treasury, wrote what will no doubt for many years remain the standard work on "The British Budgetary System".

From these experts, and, of course, others, one learns that the expenditure estimates for the coming financial year are formulated under constant Treasury guidance and supervision within the individual depart-

ments. The formal process of preparing the estimates for presentation to Parliament begins about October 1st each year when the Treasury sends out an Estimates Circular to the departments, inviting them to submit their estimates for the coming financial year by December 1st. Each draft estimate when received is examined by the Treasury; and when finally passed the estimates are presented to Parliament in the following February or March. They are then examined by the Select Committee on Estimates of the House of Commons and are subject to discussion by the House sitting in Committee of Supply on the twenty-six Supply Days allotted each session for this purpose.

Historical Procedure

This is the historic procedure which has been developed over the past century or so for the control of expenditure. It provides adequately for the observance of the formal rules of Parliamentary sanction of expenditure. It ensures that (to quote Mr. Powell) "no expenditure may be incurred by public departments that is not covered by an estimate; no new expenditure may be incurred or included in a draft estimate without prior approval of the Treasury; no staff may be employed in excess of a limit fixed by the Treasury." But does it provide for an effective and informed review of departmental expenditure? Does it give the Treasury, or the House, effective power to limit the growth of expenditure? Mr. Powell in effect says "No." He

says that there are "built-in escalators" which "have the effect of taking large areas of public expenditure out of Treasury control". One of these is inflation, and Mr. Amory's statement in this year's Budget speech that his expenditure figures made no provision either for the pay increases of the Health Service doctors and dentists or for prospective further increases of railwaymen's pay following on the Guillebaud Report (no doubt together several tens of millions) makes it evident that the national finances are still in the penumbra of past inflation. But there are other "escalators", notably past commitments entered into by one department or another or the "automatic" expansion of services, e.g. education, which play havoc with the strict doctrine of Treasury control and render recurrent "supplementary estimates" of expenditure irresistible.

"Gladstonian Garrison"

Mr. Powell's conclusion is that the "Gladstonian garrison may still be at their posts; but to repel the foes of the twentieth century they have only the armaments of the nineteenth".

Mr. Powell is a politician and might be speaking *ex parte*. Unfortunately, Sir Herbert Brittain, the civil servant, has no great consolation to offer us. He is quite ready to admit the limitations of Treasury control. The Treasury, he says, does not attempt to pose as an expert on all the many and various proposals involving expenditure which are put forward by Government departments.

All he claims is that it has developed a certain *expertise* in criticism and cross-examination. But many of its questions are such as an intelligent layman would ask, as, for example: does the proposal seem sensible on its merits; does it accord with Government policies elsewhere; has it the sort of priority to justify spending the sum proposed in the financial and economic circumstances of the time?

As for Parliamentary control, Sir Herbert leaves it quite clear that it is of the sketchiest. Of the debates on the estimates in Committee of Supply, he says: "Although the debates . . . are . . . hedged round with many formalities restricting the amounts which can be voted, it cannot be said that the debates now serve the cause of economy to any noticeable degree."

As for the Select Committee on Estimates now in its hundredth year of Parliamentary service, it consists of thirty-six members working through a number of sub-committees which is little enough to tackle the work of reviewing some hundred-and-fifty individual expenditure estimates submitted by about eighty different departments. Sir Herbert says of it that over the years it has undoubtedly performed a useful service in bringing outside criticism to bear on departmental administrations. But he suggests that on occasions its sub-committees may have been unduly influenced by one or two of their members who have particular points of view to press. And he notes that the most important point in the Committee's terms of reference is

that "the policy implied in any Estimate is outside its competence".

So here we come up against this matter of "policy" again and the rigid line drawn between it and the monetary costs of executing it. In fact, the distinction is largely an unreal one. There are very few Governmental services of which the mass of the people would say: "We must have this *whatever the cost*." A few years ago one might have said that defence was one. Yet looking back, I think that very few people would say that our defence services have been worth the near £15,000 million which have been spent on them in the past ten years.

However that may be, it seems to me that as a general rule consideration of policy and its cost should be indivisible. No departmental policy should be sacrosanct independently of cost. Not only that, but the policy-cum-costs-of-execution of all the departments ought to be considered in conjunction so that overall budgetary policy can be framed. As Mr. Powell has said, "the Budget is or ought to be an expression . . . of the general policy and aims of a Government". Under that conception the level of taxation would be an aim in itself. Spending "policy" and expenditure would not alone call the tune as they do now, with taxation left as the Cinderella to whom would fall the menial job of "balancing the economy" after the great spending departments had done their best to wreck its equilibrium by their competitive inflationary excesses.

What administrative reforms are

needed to modernize our financial control system I do not know and it is not my business to say. Mr. Powell has expressed the view that annual budgets are out of date and has spoken of a system of "progressing" classes of expenditure whether above or below the line.

A Giant Computer

If I were to suggest that the first necessary step would be for the Chancellor of the Exchequer to order a giant computer which would "process" all the relevant data concerning public services and their costs on the one hand and the effects of taxation of different types on the other, it might sound frivolous. But I do say in all seriousness that what is called for is an advance in the traditional methods of central budgetary control and co-ordination equivalent to that represented in the field of mechanical calculation by the modern electronic computing machine. It is no longer good enough for the Treasury official just to ask the finance officer of a spending department whether some proposed expenditure "accords with Government policies elsewhere".

The reduction of taxation depends on the cutting of public expenditure—and under the modern theory not of current expenditure alone but of "below-the-line" capital expenditure. The alarming tendency recently observable for the Government and the departments to take on more and more capital commitments—"aid" for the Commonwealth countries, loans to iron and steel and motor

companies, advances to building societies and what not—is not the least of the reasons which make reform of the control mechanism imperative. The hope of reduced taxation must depend very largely on the accomplishment of such a revolution in methods of control of public expenditure.

Capital for Nationalised Industry

Now, however, I turn to another and narrower fiscal issue which yet could open the way for an independent reduction of taxation of the order of, say, a shilling off the present standard rate of income tax. I am referring to the present method of treatment of the capital requirements of the nationalized industries, i.e., coal, transport, electricity and gas. Their borrowing needs, amounting to around £500 million a year, have since 1956 been provided by the Exchequer. They account for about three-quarters of the whole net “below-the-line” expenditure. The needs of the National Coal Board have always been met in this way, but prior to 1956 the other three corporations raised their own capital through Treasury-guaranteed stock issues on the market.

The change was introduced by Mr. Harold Macmillan when Chancellor of the Exchequer and he explained in his Budget speech on 18th April, 1956, the reasons which led him to make it. He said that before nationalization the services in question had financed themselves largely by money raised on their own credit. Now they pledged the nation's credit.

They had to do so because none of them had “a cat in hell's chance in present conditions” of borrowing on its own. They could not do so, first, because under the Nationalization Acts they were not allowed to mortgage their assets and, secondly, because “the very size of their requirements adds to the difficulty of flotation at least in present circumstances”. Therefore, as “a temporary measure” for the two years 1956-57 and 1957-58 he proposed that the capital requirements of these nationalized industries should be met (up to a maximum sum of £700 million) by borrowing from the Exchequer.

By a rather odd coincidence, the Local Authorities which previously had raised a large part of their loans by this method of borrowing from the Exchequer “below the line” had been required by Mr. R. A. Butler, Mr. Macmillan's immediate predecessor at the Exchequer, to change over to borrowing on their own credit on the market. Mr. Macmillan approved that change and made it quite plain that he believed that, as soon as it became feasible, the nationalized industries too should borrow on their own credit on the market.

However, Mr. Macmillan's ordinance was at the end of its allotted two years extended for another two years. And now Mr. Heathcoat Amory proposes a further extension, possibly for three years, though the period is apparently still subject for discussion. The system introduced by Mr. Macmillan thus threatens to become a case of “only the provisional endures.”

The Fiscal Aspects

Now consider the fiscal aspects of this business. Under the modern doctrine the "above-the-line" Budget surplus is the final balancing weight securing the equilibrium of the economy. It provides a fund of compulsory saving which makes good the shortage of voluntary savings needed to meet the country's global investment programme. In nearly every year since the end of the war Chancellors have, with this object in view, provided for large revenue surpluses offsetting to a substantial extent (and in one or two years entirely) the public investment expenditure figuring "below-the-line". In the following table the amount of the realized ordinary "above-the-line" Budget surplus is shown for each of the past ten years (with the estimated amount for the current year 1960-61) while in parallel columns are given the loans to local authorities and to the nationalized industries—N.C.B. only

from 1950-51 to 1955-56 and N.C.B., transport, electricity and gas 1956-57.

It will be seen that in most years the Budget surplus made a big contribution towards the Exchequer loans to local authorities and nationalized industries. In the four years 1956-7 to 1959-60 surpluses provided £1,179 million (net of £297 million of railway deficits) towards £1,573 million of nationalized industries' and £5 million of local authorities' loans.

Leaving out of the reckoning the annual deficit of the railways which the Chancellor has now decided shall for the future be charged "above-the-line" against current revenue, it thus follows that the taxpayer has found nearly £300 million a year—and that is roughly the equivalent of the yield of 1s. income tax—towards the capital expenditure of the Coal Board, the railways and the electricity and gas undertakings.

NET ADVANCES TO LOCAL AUTHORITIES AND NATIONALIZED INDUSTRIES FROM THE EXCHEQUER

	To Local Authorities	To Nationalised Industries* (£ million)	Above-the-line Budget Surplus
1950-1	305	2	561
1951-2	353	11	366
1952-3	343	37	88
1953-4	278	36	94
1954-5	328	67	433
1955-6	297	78	397
1956-7	67	310	290
			(less Rly. Deficit 52)
1957-8	45	363	423
			(" " " 66)
1958-9	-52	411	377
			(" " " 94)
1959-60	-55	489	386
			(" " " 85)
1960-1	(est)-56	465	304

*—N.C.B. only 1950-1 to 1955-6.

Utterly Wrong

It seems to me utterly wrong that our over-taxed public should be taxed further to provide capital, without recompense in the shape of interests or dividends, for any group of industries, State-owned or not. In an emergency, in the years following a great war the practice might be condoned as a temporary measure. But we are not in an emergency. We are in a state of unprecedented prosperity. We have that on the authority of the Prime Minister, who, as Chancellor of the Exchequer, introduced this obnoxious mode of finance. Surely, then, the Prime Minister ought to interest himself in bringing the system to an end. At the very least he ought not to sanction its continuance for more than another year during which arrangements would be made for its termination.

To effect the liberation, two things are necessary. First, every effort must be made to raise the nationalized industries to a state of creditworthiness in which they would be able to borrow in the market on their own security. That premises that they should be able to pledge their assets: the law should be amended to enable them to do so. Some people would say that, even so, they could not borrow on long term so long as their capital structure includes no equity element. City folk with long memories remember the fate of the C stockholders of the old London Passenger Transport Board who, though possessed of legal powers to put the Board into liquidation in the event of default on their interest

payments, in practice found it impossible to enforce their remedy. Even this difficulty, however, might be surmounted if the Treasury could be prevailed upon to accept equity stock in satisfaction of part of the recent advances from the Exchequer. As Mr. Macmillan said in 1956, the electricity and gas undertakings could lead the way. They are not far off a state of financial equilibrium judged by commercial tests and there is no reason why their equity stocks should not in time become attractive holdings. The railways, of course, are in quite a different category. They, too, may ultimately become commercially profitable after the completion of the modernization plan, but that point is still far off and in the meantime they obviously have no hope of borrowing on their own credit. Much the same applies to the Coal Board, whose capital needs are relatively slight in comparison with those of transport, gas and electricity. It does not, however, follow that the system of direct lending by the Exchequer to either railways or coal must continue indefinitely. Given satisfaction of the other condition for the release of the taxpayer from the nationalized industries' capital levy, the railways and coal could be financed by issues of Treasury-guaranteed stock.

Restore Gilt-edged Market

This other condition is the restoration of the gilt-edged market to a state of normal healthy functioning. It may be said that this is contingent on the prior strengthening of the flow

of voluntary savings. I am not convinced that is the whole story. The present state of the gilt-edged market is the product of a number of different factors, some of which, like the years of continuous inflation and the recent heavy selling by the banks, will, we may hope, not recur. Given absence of inflation in the future, the market should gradually lose its present hyper-sensitiveness and recover some of its lost elasticity. For the rest I can only say that, while in a totalitarian collectivist society the

central power will first lay down the country's global investment programme and their exact savings from the community to match, this is not the principle which finds favour in Western democratic countries. There, on the contrary, investment has generally to accommodate itself to the available supply of voluntary savings, and in my view Governments ought not to attempt to contract out of this rule in respect of "public sector" investment by nationalized industries or local authorities.

Escapism in Government

By J. ENOCH POWELL, M.P.

WHY should governments indulge in escapism? Because they can operate on the credit base only if they are willing to limit their own demands upon the resources of the economy. It is government expenditure (including, of course, government advances) in excess of the claims on resources which the Government is willing to appropriate by taxation or able to transfer to itself from the public by borrowing, that widens the credit base and takes the control of it out of the Government's hands. If the Government is reduced, or in danger of being reduced, by necessity to borrow from the banks and so to increase the market floating debt—if, indeed, it has not the free choice, should it so desire, of reducing that floating debt—then other methods of control which it may seek to apply will be subterfuged, which serve only to conceal its predicament from

others and perhaps even from itself. They resemble those outbreaks of exhortation and admonition to all and sundry not to behave in an inflationary way but to be "moderate," which are the sure sign that the Government is losing control itself.

In the same category of escapist devices belongs that of "special deposits," which was announced last year to be in course of preparation against the day of need and which may be the reference of the Chancellor's warning quoted at the beginning of this article. It is useless for the Government to sterilize part of the credit base of the banks by enforcing special deposits, if at the same time its own excess expenditure is driving it to place new liquid assets in their hands. If the Government is willing to contain its expenditure, special deposits are unnecessary; if it is unwilling, they will prove futile.

From Credit, the quarterly review of the Finance Houses Association.

Readers' Commentary

VELOCITY OF CIRCULATION

Sir,

With respect for Mr. R. F. Bartlett, but none for the Radcliffe Committee, may I point out that the Velocity of Circulation is a myth because (i) all costs enter prices; and (ii) credits are created by the banks out of nothing for specific purposes and, in theory at least, ultimately return to the banks (plus interest) for cancellation of the so-called debts. That coins and notes pass from pocket to pocket does not make the myth any more real.

ERIC DE MARE,

3 Stanley Crescent, W.11.

June 4th, 1960.

THE SCIENTIST AND THE STATISTICIAN

Sir,

Regarding Mr. Thorneycroft's view of the state of the monetary system, it may not be the machine which is at fault but the reluctance of the authorities to scrap obsolete parts. Perhaps the notable piece of economic clear thinking of John Maynard Keynes which Professor C. F. Carter in 'Beyond Keynes' had in mind was: "Modern capitalism is absolutely irreligious, without internal union, without much public spirit, often, though not always, a mere congeries of possessors and pursuers."

It is doubtful if this is true today, the winds of change have brought us the Welfare State, and, as has often been said, we are all socialists and/or capitalists now.

The forecast in 'National Life and Character', 1894, of the late Karl Pearson, the eminent statistician, has come to pass.

He anticipated, owing to the pressure of emergent races upon the Europeans, and to accompanying socialistic tendencies that real progress would cease. Dependent reliance on the State would check all outbursts of originality. The State would give its members education, health service, employment, and all manner of security services. (Not the least of these is monetary policy.)

The State would become the people's cult; the hold of the Churches on their members would weaken, and family ties would be loosened.

The State would pass through phases of internationalism and pacifism to severe nationalism, protectionism, and militarism.

One may hope that statisticians today could make an equally accurate forecast of the future, but mass production and horizontal and vertical integration have added to the problem.

W. H. GIBSON.

The Quarter Farm,
Kirkistown,
N. Ireland.

Digest Reviews

AGAINST THE WIND

Apartheid: A Socio-historical exposition of the origin and development of the Apartheid idea. By N. S. Rhoodie, M.A., and Professor H. J. Ventnor. Pretoria Univ. 216 pp. 1960.

Since *apartheid* has become a dirty word in England, this exposition by academic protagonists who see *apartheid* as an enlightened national plan for native development deserves consideration.

Apart from an historical survey from a Boer angle and a well documented account of the social and economic benefits provided for the Bantu (it is not always appreciated that their wages and standard of life compare favourably not only with the rest of Africa but much of Asia as well), the main value of this book is to show how long the problem of race relationship has been the main concern of South Africans, British and Boer.

Statements and writers, from Shepstone to Salisbury, Kruger to Milner, plans for Bantu development, generally in terms of segregation, have been laid down. Even the pass system, originally inaugurated by an Englishman, Lord McCartney, in 1797, has its supporters. The National Party, from its inception in 1914 has upheld the ideal of parallel development, but General Hertzog's famous statement of policy in 1925—'to develop and train the native to be able to take charge of his own affairs

in his own country'—does not in fact differ much from either Lord Milner's 1905 Commissions or General Smuts' aim 'to develop separate self-governing institutions'.

But it was the second world war, with its combined effect of spectacular economic development and increasingly urbanised natives together with black nationalism, which brought urgency and crystallised segregation into the positive policy of *apartheid*. The Bantu population had not only increased from 3.5 to 9.5 millions since 1904 but the urban increased from 360,000 to nearly two million, outnumbering whites by a hundred thousand.

On the basis of the Tomlinson Report which suggested that 60% or about eight millions of the main ethnic groups might be supported in the projected Bantu areas by 1980, the Bantustan Acts were passed and the National Party's policy elucidated in Dr. Verwoerd's speeches to Parliament in January and May 1959 in which not only self determination but 'complete independence' is envisaged. Though there could be 'no question of a lasting dependence on a black proletariat' a degree of economic interdependence rather on the lines of the Irish in England or the Spanish in Gibraltar, is presumably envisaged, together with increasing decentralisation of industry towards Bantustan.

Though its many opponents believe that *apartheid* cannot work either in

terms of economics or native psychology, the Nationalists have two pertinent retorts. Economic exigencies have not stopped black Africa from large political plans; moreover South Africa is not being given much chance to make *apartheid* work under the adverse and often ignorant blasts of publicity from the anti-colonial bloc at UNO, supported for various reasons by black nationalism, already threatening active intervention, humanitarians 'from a distance' and other political groupings.

More cogently, no long-term alternative has been offered to white South Africa.

M.M.

RUSHING WIND

A New Deal in Central Africa.
Edited by Colin Leys and Cranford Pratt. Heinemann; 21s.

The Church to Africa: Pastoral Letters of the African Hierarchies. Sword of the Spirit.

Wind of Change: The Challenge of the Commonwealth. By a Conservative Group of which T. E. Utley and John Udal are members. Foreword by its Chairman, the Rt. Hon. Lord Colyton, C.M.G. Conservative Political Centre; 2s. 6d.

The first of these two works contains much useful material but is hardly fair to Federation, and nowhere approaches the wisdom and balanced opinions contained in the Pastoral Letters of the Catholic hierarchies in the Commonwealth territories of Africa and the Sudan. We are indebted for their reproduction to the

Sword of the Spirit and its active Africa Committee headed by Major Patrick Wall, M.P. They deal with racial and educational problems and one of them condemns Mau-Mau. The Sudan Hierarchy's Pastoral dated Ash Wednesday, 1956, describes the duties and rights of Catholic citizens and will command the assent of Christian people everywhere.

The substantial C.P.C. pamphlet, *Wind of Change*, despite its title, is also not limited to Africa. It is full of ideas, some of which have already appeared in publications of the Expanding Commonwealth Group. The authors are most illuminating on the main problems of the Commonwealth today:— for example, relations between different races, in some cases two or more non-white races; the future of the fortress islands and smaller territories which, however mature, cannot sustain sovereignty; trade; commodity stabilisation; and finance. The style is excellent and the conclusions no more cautious, and more positive, than one would expect from a committee of party specialists.

FREEDOM FROM WANT

Economic and Financial Aspects of Social Security. By J. Henry Richardson. Allen & Unwin; 30s.

"Social security" says Professor Richardson, "is much more than a charitable and humanitarian device. It is a constructive policy which promotes industrial efficiency, and against its costs must be set substantial economic returns."

In this comprehensive survey, the author sets out the basic principles and methods necessary for sound progress, and examines such important questions as the proportion of the national income which should be devoted to social security. He concludes that when the State has made basic provision, people should be left free to provide for their own special circumstances. He emphasises the flexibility of private occupational schemes and insurance to supplement the provision made by the State. He also considers that every encouragement should be given to older people to continue to work as long as they are fit to do so.

Social security is still very much in the experimental stage and Professor Richardson's contribution will provide much useful guidance and information to those concerned in shaping future policy.

YEARS OF CHANGE

The British Economy 1920-57. By J. A. Youngson. Allen & Unwin; 28s.

The period covered by this account of Britain's changing economy were years of deflation after the first world war followed by years of inflation following the second world war. The author describes the developments and background of the changes which took place in economic policy during these eventful years.

Problems of Full Employment. By D. J. Iles and C. J. Tucker. Routledge & Kegan Paul; 20s.

Written for the layman, this book discusses the economic implications

of full employment and the methods used by the British Government in their attempts to implement this policy. Particular attention is paid to the importance of external trade and its importance to the British economy.

THE MERRY MONARCH

Charles II, His Life and Likeness. By Hesketh Pearson. Heinemann; 21s.

This new biography of Charles II comes at a particularly appropriate moment, for it is about 300 years—on May 25th, 1660—that King Charles II landed at Dover after his exile to be “greeted by the populace with howls of joy”. The author brings out the complex but essentially human character of the man whom he describes as “the sanest, most human and civilised of monarchs”.

SHIELD AND SUFFERING

France, The Tragic Years. An Eyewitness Account of War, Occupation and Liberation. By Sisley Huddleston. Holborn Publishing Co.; 25s.

Mr. Sisley Huddleston is a fine journalist who served leading newspapers abroad with great distinction.

He vindicates the honour, if not the wisdom, of the better men of Vichy, from the tragic Marshal downwards, without over-balancing into depreciation of the Resistance and General de Gaulle, who, he believes, appreciated the role of the Vichy shield as well as of the sword of Free France.

CASSITERIDES

The Future of Metalliferous Mining in Great Britain. By F. Lyde Caunter. With a Foreword by Rex Tremlett. Philip & Sons, Liskeard, Cornwall.

Mr. Caunter was Vice-Chairman of the Cornish Tin Mining Advisory Committee, under Sir Edward Bolitho, during the war. This body was set up to revive an ancient English industry, whose case should not be allowed to lapse in smug days of prosperous peace. "Home production of non-ferrous metals," he writes, "is a matter of national importance, and is in the nature of an insurance against an emergency"—particularly, one could add, when the world sees more and more economic groupings and growing self-sufficiency.

Mr. Caunter asks for more equitable taxation of extractive industry and discusses the complicated system of "percentage depletion," urged by Cornish Members like Sir Peter Agnew and Commander Marshall in the House of Commons. He records his disappointment that the 1955 Royal Commission on Taxation did not recommend the Canadian method of mine taxation.

FROM FARM TO FACTORY?

Food Land and Manpower in Western Europe. By P. Lamartine Yates. Macmillan; 35s.

This is the first of a series of four monographs on European problems prepared by the Twentieth Century Fund. The author surveys the farm economy of Western Europe and

draws the conclusion that European agriculture has an excess of manpower and more than enough land to meet all its food requirements in the foreseeable future. With most European countries now 90 per cent self-sufficient in staple food, he envisages that by 1970 farmers in Europe will be producing 30 per cent more food at cheaper prices with a 20 per cent less labour force.

He views the 'exodus from the land' as something to be fostered and encouraged, for productive industry can utilise all the man-power thus made available. "Even if manufacturers cannot themselves think of any novelties (but they can), they can always copy some American gadget in the use of which Europe is trailing behind by 10 or 15 years." Mr. Yates calls for a rational distribution of manpower from the farm to the factory for "one cannot afford any able-bodied workers remaining only partly employed." One wonders if he has heard of restrictive practices and the failure to use modern techniques which still apply to some sections of our industrial life?

An Essay on Economic Growth and Planning. By Maurice Dobb. Routledge & Kegan Paul; 15s.

The author is concerned with alternative forms of a planned economy where capital is socially owned and investment socially controlled.

SOVIET SCENE

The Soviet Dictatorship. By Herbert McClosky and John E. Turner. McGraw Hill; 62s.

Trade with Communist Countries.
By Alec Nove and Desmond Donnelly. Hutchinson; 30s.

A clearer understanding of Soviet politics and economics is essential if any kind of bridge is to be built between East and West. The first of these books provides a valuable and systematic description and analysis of the political realities which lie beneath the governing structure. Starting with an investigation of the origins of the Soviet system, it goes on to trace the development of the Communist Party and the Soviet regime from the October revolution to the present day.

The authors then give a detailed examination of the Communist Party as it exists today, and the organisation of the Soviet State. Finally they consider the regimentation of Soviet society and the forces leading to change. They hold out little hope that political freedom will take root and grow in a State "where power springs in significant measure from messianic doctrine and fanatical impulses".

The second book deals with problems of economics and trade and the authors show how wide is the divergence in thinking between those who control the production and exchange of goods and services in Communist countries and their counterparts in the West. This useful study is published for the Institute of Economic Affairs and it provides essential facts which will be of value to all who are likely to be concerned in trading with Communist controlled countries.

There are useful trade statistics, details of Soviet trade corporations and other valuable data.

COMMONWEALTH AND COMMON MARKET

Europe will not Wait. By the Rt. Hon. Anthony Nutting, P.C.
Hollis & Carter; 12s. 6d.

Lord Boothby praises this work too much. Nevertheless the material is skilfully marshalled and compressed and the writing elegantly fluent, though the author should eschew such monstrosities as "Britisher" and clichés like "narrow nationalists".

Your reviewer witnesses, as did the former Minister of State, the Consultative Assembly of the Council of Europe's unanimous passing of the Strasbourg Plan for a Commonwealth-Europe association. He does well to revive it, but will U.S. hostility and GATT be any less now than in 1952? This is of course no argument for not insisting on what is the best method of reconciling a European preferential area, to include Britain, with first priority in the United Kingdom market for Commonwealth imports, but at times Mr. Nutting seems to be running with American hares and with European hounds. The Churchill-Eden concept of three "unities" or "circles", of the Commonwealth, Europe and the North Atlantic, intersecting in London, has already exasperated much Continental opinion and was one of the reasons for the "Little Europe" of the Six.

Like other experts, Mr. Nutting mistakenly assumes that because Commonwealth preference has been

prevented from being brought up-to-date it should be virtually abandoned. Rather should it be brought into tune with changed conditions. Overseas industrialization is no reason for dissolving the Commonwealth's economic ties. Are not the States of the American Union and the European Economic Community largely industrialized?

LETTERS FROM INDIA

A Bunch of Old Letters. Written mostly to Jawaharlal Nehru and some written by him. Asia Publishing House; 30s.

Sri Nehru has been autobiographically prolific already; this handsome edition of his letters reveals still more of a great Commonwealth statesman who is also a very human person.

Historians of the closing years of the British *Raj* will be grateful for the opportunity of studying such letters as those of the late Lord Lothian and Eleanor Rathbone which put British policy at the time of the Government of India Act 1935 and the abortive plan for All-India Federation into fair perspective. It is interesting to hear Madame Chaing Kai-shek telling Mr. Nehru in 1942 that President Roosevelt favoured Partition. There is also a letter from Mao Tse-tung thanking Mr. Nehru for the work of the Indian Medical Unit sent by the Congress and attached to the Communist 8th Route Army fighting the Japanese in 1939. Their relations now are less satisfactory.

There is here much valuable material for the student and historian and

deep enjoyment for the general reader.

DECIMALISATION

Decimal Coinage and the Metric System—Should Britain Change? Butterworth; 7s. 6d.

This is a joint report of Committees set up by the British Association for the Advancement of Science and the Association of British Chambers of Commerce. The report clearly indicates that in the Committee's view decimalisation of the currency is desirable and practical and they suggest alternative methods of achieving this end. This question is now under consideration at government level, and this book provides much useful information for the guidance of public opinion on whom the final decisions inevitably rest. The Committee considers that a minimum period of three years will be necessary before decimalisation of our currency could be introduced.

On the question of weights and measures the Committee suggests a more cautious approach and considers much more investigation is needed before any final decision is taken.

SHIPYARD OF THE WORLD?

The Economics of Shipbuilding in the United Kingdom. By J. R. Parkinson. Cambridge University Press; 40s.

Mr. Parkinson has provided an interesting survey, written in non-technical terms, of the present state of the British shipbuilding industry, its prospects for the future and its standing in relation to its overseas competitors. He shows that before

1850 America was supreme in the building of sailing ships. The ascendancy of the United Kingdom shipbuilding industry arose from the change to iron and steel ships propelled by steam, helped as they were by cheap supplies of iron and steel coupled with engineering skill and efficient organisation. Today "Ships undoubtedly take longer to build in the United Kingdom than in other countries."

Although he recognises that much is being attempted to modernise the industry, Mr. Parkinson reaches the melancholy conclusion that the continuance of restrictive practices are a considerable hindrance to efficient working. "No one can yet feel confident that shipbuilding can succeed in escaping from its past and regain in a modern setting those qualities of technical excellence combined with productive efficiency and cheapness that made the United Kingdom the shipyard of the world."

SHORTER SCRUTINY

The Public Service in New States—A study in some trained manpower problems. By Kenneth Younger. Oxford University Press; 16s.

A former Minister of State, now Director-General of the Royal Institute of International Affairs, describes the steps taken from 1954 onwards to adapt the changing needs of newly independent states, and the future role of the British Oversea Service in giving them administrative help.

Bargaining and Group Decision Making—Experiments in Bilateral Monopoly. By Sydney Siegel and

Laurence Fouraker. McGraw Hill; 38s.

A study in the field of decision making under conditions of bilateral monopoly. This is described as a situation of bargaining between two rivals in which an agreement must be reached if either party is to maintain itself.

Macro-Economics: The Measurement, Analysis and Control of Aggregate Economic Activity. By Thomas E. Dernburg and Duncan M. McDougall. McGraw-Hill; 50s. 6d.

Designed for use in the income theory half of the courses in Intermediate Economic Theory, this book provides a general background for the student in such fields as business cycles, monetary theory and fiscal policy.

Oxford Regional Economic Atlas—The Middle East and North Africa. Prepared by the Economist Intelligence Unit and the Cartographic Department of the Clarendon Press, Oxford. Clarendon Press. O.U.P.; 42s. (in U.K. only).

This well-produced atlas will provide an invaluable source of information and reference on the Middle East and North Africa.

The Stages of Economic Growth. By W. W. Rostow. Cambridge University Press; Cloth 21s. Paper 12s. 6d.

Described in the sub-title as 'A Non-Communist Manifesto', the Professor of Economic History at Massa-

chusetts Institute of Technology presents an alternative to Marx's theory of how societies evolve.

Overseas Newspaper and Periodicals Guide Book. Publishing and Distributing Co. Limited, 177 Regent Street, London, W.1; 30s.

An essential handbook for the export trade. Over 3,000 periodicals and newspapers in all parts of the world are listed and details are given about circulation and advertising rates. Useful essays on the economic conditions in various countries and regions are also given—those of the Outer Seven and the Common Market are to be specially recommended.

BROAD v. CRISP

The War that Churchill Waged. By

Lewis Broad. Hutchinson; 35s.

Sir Winston's own account and a number of popular paraphrases might be thought to have restricted the scope for Mr. Broad. He has, however, succeeded in writing a fascinating reply, based on much careful research on both sides of the Atlantic, to the latter day critics of Britain's war hero.

A recent important book, the *Dominance of England*, expressed the unease which has been felt at some aspects of the Churchill-Roosevelt relationship. We print on another page an article by its author. Miss Dorothy Crisp, who is among those who believe that there has been excessive British deference to the Transatlantic Ally. Mr. Broad's book is, in a sense, a reply to that opinion.

THE DOMINANCE OF ENGLAND

BY

Dorothy Crisp

"Surely a CHALLENGING book."—*Western Morning News.*

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